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ACTION NEA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15

USIA-15 ACDA-19 IO-13 EB-11 COME-00 TRSE-00 OMB-01

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P 110430Z SEP 73

FM AMCONSUL LAHORE

TO SECSTATE WASHDC PRIORITY 9697

INFO AMEMBASSY ISLAMABAD PRIORITY

AMCONSUL KARACHI PRIORITY

LIMITED OFFICIAL USE SECTION 1 OF 2 LAHORE 1090

E.O. 11652: N/A

TAGS: EIND, PK

SUBJECT: BHUTTO IN LAHORE ADDRESSES NATION'S BUSINESS LEADERS
ON NATIONALIZATION QUESTION

REF: LAHORE 0349

BEGIN SUMMARY: PRIME MINISTER BHUTTO TOLD GATHERING OF
PAKISTANI BUSINESSMEN IN LAHORE ON SEPT 9 THAT GOVT WOULD
NOT NATIONALIZE ANY MORE INDUSTRIES PROVIDED INDUSTRIALISTS
WERE COOPERATIVE. HE CONTENDED THAT NATIONALIZATION OF GHEE
INDUSTRY DID NOT CONSTITUTE REVERSAL OF HIS PREVIOUS STATEMENTS
ABOUT TAKE-OVERS, SINCE SUCH PROMISES WERE BASED ON ASSUMPTION
OF INDUSTRY COOPERATION WHICH GHEE PRODUCERS DID NOT GIVE.
BUSINESS COMMUNITY HERE FEELS STRONGLY THAT PRIME MINISTER HAS
IN FACT BROKEN HIS PLEDGE; AS CONSEQUENCE BUSINESS MORALE
IS LOW AND UNCERTAINTY HAS INCREASED. OUR INVESTIGATION
INDICATES GOP CONTENTION OF FALLING GHEE PRODUCTION IS NOT
BORNE OUT FOR PUNJAB BY PROVINCIAL GOVT'S OWN STATISTICS.
END SUMMARY.

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1. IN SUNDAY SEPT 9 MEETING AT GOVERNOR'S HOUSE IN LAHORE
PRIME MINISTER TOLD GATHERING OF APPROXIMATELY 200 BUSINESSMEN,

INDUSTRIALISTS, AND TRADERS FROM ALL OVER COUNTRY THAT GOVT WOULD NOT RPT NOT NATIONALIZE ANY MORE INDUSTRIAL UNITS PROVIDED INDUSTRIALISTS COOPERATED BY INCREASING PRODUCTION AND WORKING IN BEST INTERESTS OF NATION. ACCORDING TO PRESS REPORTS, CONFIRMED TO US BY BUSINESSMEN PRESENT AT MEETING, BHUTTO SAID "POSITION OF THE GOVERNMENT HAS NOT CHANGED WITH THE TAKE-OVER OF THE GHEE INDUSTRY." HE CLAIMED GHEE MAKERS HAD PERSISTENTLY REFUSED TO INCREASE PRODUCTION IN SPITE OF SOLEMN PROMISES TO CONTRARY AND IN SPITE OF INCREASED PRICES. HE INSISTED GOVT HAD NOT BROKEN ANY PLEDGE BY GHEE INDUSTRY TAKE-OVER, CLAIMING PRIVATE SECTOR HAD BEEN TOLD TIME AND AGAIN AFTER JANUARY 1972 TAKE-OVER OF MANAGEMENT OF CERTAIN INDUSTRIES THAT NO FURTHER NATIONALIZATION WOULD COME "PROVIDED THE INDUSTRY COOPERATED." GHEE INDUSTRY HAD NOT DONE SO, GHEE SHORTAGES HAD PERSISTED, HENCE TAKE-OVER WAS NECESSARY. FINANCE MINISTER MUBASHIR HASAN ANSWERED QUESTIONS AFTER PRIME MINISTER'S SPEECH, EMPHASIZING GOVT HAD NO ALTERNATIVE TO TAKE-OVER WHICH WAS NOW "CLOSED CHAPTER."

2. LAHORE CHAMBER OF COMMERCE PRESIDENT MUMTAZ SHEIKH WAS PRESENT AT THE MEETING AND HE AND OTHER SOURCES HAVE PROVIDED ADDITIONAL INFORMATION. SHEIKH SAID BUSINESS GROUP'S STRATEGY WORKED OUT IN ADVANCE WAS TO PRESENT PRIME MINISTER BEFORE HIS SPEECH WITH PAPER AUTHORED BY CHAUDHRY NAZAR MOHAMMAD, PRESIDENT OF FEDERATION OF PAKISTAN CHAMBERS OF COMMERCE AND INDUSTRY, SUMMARIZING CONCERNS OF BUSINESS COMMUNITY OVER GOVT'S NATIONALIZATION OF GHEE INDUSTRY. WHEN BHUTTO ARRIVED ONLY MOMENTS BEFORE SPEECH WAS TO BEGIN, PREPARED PAPER COULD NOT BE DELIVERED BUT CHAUDHRY NAZAR MOHAMMAD ASKED PERMISSION TO MAKE SOME OPENING COMMENTS ON BEHALF OF HIS COLLEAGUES AND PROCEEDED TO DESCRIBE DEEP CONCERN OF BUSINESSMEN AND INDUSTRIALISTS OVER GHEE INDUSTRY NATIONALIZATION. IT OCCURRED, HE SAID, DESPITE MR. BHUTTO'S PERSONAL ASSURANCE, GIVEN IN LAHORE ON APRIL 1 BEFORE ANNUAL MEETING OF LAHORE CHAMBER OF COMMERCE, THAT THERE WOULD BE NO RPT NO FURTHER TAKE-OVERS OR NATIONALIZATION MOVES BEFORE NEXT ELECTIONS (SEE LAHORE 349, PARA 6). MOHAMMAD SAID IT NOT RPT NOT CLEAR THAT GHEE INDUSTRY WAS ENTIRELY TO BLAME FOR SHORTAGES, OR THAT ALL FACTORIES IN INDUSTRY SHOULD BE LIMITED OFFICIAL USE
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PENALIZED FOR POSSIBLE SHORTCOMINGS OF FEW. FURTHERMORE, GOVT HAD PROMISED RAW MATERIAL SUPPLIES TO FACTORIES BUT HAD NOT DELIVERED. GOVT HAD NOT TAKEN INTO CONSIDERATION SERIOUS VOLUME OF GHEE SMUGGLING. STATISTICS SHOW GHEE PRODUCTION HAS IN FACT BEEN RISING. GOVT'S PRECIPITOUS MOVE HAS DEEPLY AFFECTED BUSINESS CONFIDENCE, IS CERTAIN TO FRIGHTEN OFF INVESTMENT, AND HOPEFULLY WILL BE RESCINDED.
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3. CHAMBER PRESIDENT SHEIKH TOLD US HE WAS CERTAIN
BHUTTO DEPARTED FROM HIS PREPARED SPEECH AS RESULT OF CHAUDHRYJ
NAZAR MOHAMMAD'S INTRODUCTORY REMARKS; PRIME MINISTER APPEARED
TO SPEAK EXTEMPORANEOUSLY AND MADE POINT OF DIRECTLY CHALLENGING
THE CONTENTION THAT HE HAD PROMISED NO RPT NO MORE
NATIONALIZATION. HE EMPHASIZED THAT GOVT'S POSITION ON
NATIONALIZATION DEPENDED ON IT RECEIVING FULL COOPERATION OF
INDUSTRY WHICH HAD NOT BEEN FORTHCOMING. SHEIKH THOUGHT
BHUTTO APPEARED DEFENSIVE AND NOTED THAT HE DID NOT MAKE
HIMSELF AVAILABLE FOR QUESTION AND ANSWER PERIOD FOLLOWING
SPEECH.

4. PRIME MINISTER WAS ALSO GIVEN PETITION BY GHEE INDUSTRY
ASSOCIATION WHICH ASKED FOR NATIONALIZATION ACTION TO BE
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UNDONE. ACCORDING TO COPY SHOWN US BY SHEIKH, ASSOCIATION
MADE FOLLOWING POINTS:

A. VEGETABLE GHEE INDUSTRY HAD MAINTAINED PRICE LEVELS
OF PREVIOUS YEAR DESPITE RAW MATERIAL PRICE RISES OF 20-30
PERCENT;

B. INDUSTRY INCREASED ITS PRODUCTION THIS YEAR TO
190,000 TON LEVEL COMPARED WITH 150,000 TON PRODUCTION YEAR
BEFORE LAST;

C. INDUSTRY COULD HAVE INCREASED ITS PRODUCTION EVEN
FURTHER BUT GOVT PLEDGE TO SUPPLY 65,000 TONS OF IMPORTED OIL
TO INDUSTRY DURING JUNE-SEPT RESULTED IN ONLY 5,500 ACTUALLY
MADE AVAILABLE;

D. GOVT OF PUNJAB TOOK OVER DISTRIBUTION OF VEGETABLE
GHEE IN JULY AND ARRANGED PRICE HIKE BUT PANIC BUYING CONTINUED
AND LARGE SCALE SMUGGLING AGGRAVATED SHORTAGE.

5. WE HAVE OBTAINED REPORT OF BUREAU OF STATISTICS, GOVT
OF PUNJAB, WHICH APPEARS TO SUPPORT ARGUMENTS OF FEDERATION
PRESIDENT AND GHEE INDUSTRY ASSOCIATION, AT LEAST FOR PUNJAB
SEGMENT OF PAKISTAN, THAT VEGETABLE GHEE PRODUCTION HAS BEEN
STEADILY RISING AND EXCEEDS PRODUCTION LEVELS REACHED PREVIOUS
YEAR; COPIES BEING SENT TO EMBASSY, KARACHI, AND NEA/PAB.

6. COMMENT: SHOCK EFFECT OF GOVT'S ANNOUNCEMENT OF VEGETABLE
GHEE INDUSTRY NATIONALIZATION IS STILL REVERBERATING AROUND
LAHORE AND WE SUSPECT WILL CONTINUE TO DO SO FOR SOME TIME.
BUSINESS COMMUNITY HERE DID NOT GET EXCITED OVER GOVT'S
ANNOUNCEMENT OF ITS INTENTION TO ACQUIRE MAJORITY OWNERSHIP
OF 18 OF 32 INDUSTRIES UNDER GOVT MANAGEMENT, FEELING BEING
THAT SUCH FIRMS WERE ALREADY LOST TO PRIVATE SECTOR. GHEE
INDUSTRY TAKE-OVER, HOWEVER, REGARDED HERE AS NEW NATIONALIZATION
MOVE INTO VIRGIN TERRITORY (SHEIKH REMARKED BITTERLY THAT
PAKISTAN IS ONLY COUNTRY WHERE "NATIONALS ARE BEING
NATIONALIZED AND FOREIGNERS ARE SAFE). INTENSITY OF REACTION
IS ATTRIBUTABLE IN MAJOR PART TO WIDESPREAD CONVICTION
THAT BHUTTO HAS GONE BACK ON HIS WORD, AS MOST RECENTLY
ENUNCIATED IN LAHORE ON APRIL 1 (REFTEL), THAT NO MORE TAKE-
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OVERS WOULD OCCUR AT LEAST UNTIL NEW ELECTIONS. I WAS PRESENT
AT THAT MEETING AND MUST NOTE, AS REPORTED REFTEL, THAT
BHUTTO IN FACT SAID HE WOULD GUARANTEE NO MORE TAKE-OVERS

"UNDER PRESENT CIRCUMSTANCES" AS WELL AS "NOT UNTIL THE NEXT ELECTIONS." HOWEVER, WHETHER WARRANTED OR NOT, EVERY BUSINESSMAN WITH WHOM WE HAVE DISCUSSED SUBJECT SINCE APRIL HAS HELD, OR PROFESSED TO HOLD, SAME INTERPRETATION AS FEDERATION PRESIDENT CHAUDHRY NAZAR MOHAMMAD, TO WIT, THAT BUSINESS COMMUNITY HAD BHUTTO'S FIRM COMMITMENT TO NOR FURTHER NATIONALIZATION. GHEE INDUSTRY TAKE-OVER APPEARS TO HAVE SET BACK MODEST RESURGANCE OF INVESTMENT AND BUSINESS ACTIVITY NOTICEABLE OVER RECENT MONTHS. HOW SERIOUSLY, ONLY TIME WILL TELL BUT WE HAVE NOT WITNESSED SUCH BITTERNESS ON PART OF LOCAL BUSINESSMEN AT ANY TIME OVER PAST YEAR AND QUARTER. KING

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